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IN THE

Supreme Court of the United States

OCTOBER TERM, 1998

BRUCE A. LEHMAN,
Commissioner of Patents and Trademarks,
Petitioner,

vs.

MARY E. ZURKO, THOMAS A. CASEY, JR.,
MORRIE GASSER, JUDITH S. HALL,
CLIFFORD E. KAHN, ANDREW H. MASON,
PAUL D. SAWYER, LESLIE R. KENDALL
and STEVEN B. LIPNER,
Respondents.

ON WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

BRIEF OF *AMICUS CURIAE* NEW YORK INTELLECTUAL PROPERTY LAW ASSOCIATION IN SUPPORT OF RESPONDENTS

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STATEMENT OF INTEREST OF *AMICUS CURIAE*

This brief is submitted on behalf of the New York Intellectual Property Law Association (the "NYIPLA") — an association of more than 1,100 attorneys whose interest and practice lies in the areas of patent, copyright, trademark, trade secret and other intellectual property law.[1] Unlike attorneys in many other areas of practice, NYIPLA members, whether in private practice or employed by corporations, typically represent both plaintiffs and defendants in litigation. NYIPLA members also regularly participate in proceedings in the Patent and Trademark Office, including representing parties in interferences, as well as representing applicants for patents.

Since its founding in 1922, the NYIPLA has been committed to maintaining the integrity of United States patent law, and to the proper application of that law. Because of the practical experience of its members, and its non-partisan status, the NYIPLA believes that its views will aid this Court in its resolution of the issue raised in this appeal concerning the standard of review applicable to United States Patent and Trademark Office ("PTO") fact-finding.

SUMMARY OF THE ARGUMENT

This Court should permit the Court of Appeals for the Federal Circuit to continue to review PTO fact-finding under the "clear error" standard. Over 100 years ago, this Court applied the clear error standard in reviewing Patent Office fact-

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1. Pursuant to Sup. Ct. R. 37.6, the NYIPLA represents that it has authored this brief in whole, and that no person or entity other than the amicus and its counsel have made a monetary contribution to the preparation or submission of the brief. The parties to this case have consented to the filing of this brief, and their written consents have been filed with the Clerk of the Court.

finding. For 70 years, the PTO has received searching and thorough judicial review of its fact-finding by the Court of Appeals for the Federal Circuit and by its predecessor court the Court of Customs and Patent Appeals under a clearly erroneous standard of review (also called manifest error). The statutory language of the Administrative Procedure Act ("APA") permits the Federal Circuit to continue this standard of review. Specifically, 5 U.S.C. § 559 provides that Chapter 7 of the APA — including 5 U.S.C. § 706 — shall not limit additional requirements recognized by law before the enactment of the APA. The clear error standard of review applied to the PTO was such an additional requirement over and above the minimum standards of review required of the courts subsequently set forth in 5 U.S.C. § 706. This Court should not now adopt the more deferential "substantial evidence" standard (first requested by the PTO over 45 years after enactment of the APA), which would increase the likelihood that errors of the PTO remain uncorrected.

An erroneous decision by the PTO that a patent should not issue, or an erroneous decision in a patent interference awarding priority to a person who was not in fact the first inventor, can have a devastating impact on inventors, investors, the public, and the integrity of the patent system. Inventors and the companies for whom they work typically spend tremendous sums of money and time on research and development. In addition, particularly for individual inventors, the costs involved in searching the prior art and preparing and filing a patent application can be onerous. A decision by the PTO that rejects a patent application in error can make it impossible to recoup the ventured investments through the exclusivity provided by the patent laws. The public also may suffer from an incorrect decision of the PTO. After a patent application has been rejected, inventors and investors may simply give up, never commercializing the invention, or they may maintain it as a

trade secret. In either case, the public has lost the disclosure of a possibly significant advance in the useful arts that would have been contained in the issued patent.

The ruling by this Court in this appeal will also apply in patent interferences, since appeals to the Federal Circuit in interferences are governed by the same statute (35 U.S.C. § 141) as direct appeals from the PTO in ex parte cases. With respect to patent interferences, an incorrect decision by the PTO awarding the patent to a person who was not in fact the first inventor not only harms the true inventor by permanently denying him or her the right to the patent, but also creates a higher likelihood that a court will simply hold that incorrectly issued patent invalid when it is subject to full judicial scrutiny in subsequent patent litigation.

An incorrect decision of the PTO can have broader effects than on the particular individuals and inventions involved. When the underlying facts are intimately bound up with an ultimate legal question — such as with the issue of nonobviousness under 35 U.S.C. § 103 and numerous other substantive issues in patent law — an erroneous decision can create bad precedent for many cases to come.

The PTO is a unique administrative agency which has been in existence, and governed by well-developed statutory and common law, since long before the enactment of the APA. Its decisions, as well as the patents it issues, historically have been subject to thorough judicial scrutiny.

Moreover, regardless of how this Court decides the question presented here for review, a suit in the district court would still be available in which the PTO will receive close judicial scrutiny. Specifically, under 35 U.S.C. § 145 decisions of the PTO are subject to trial de novo in the District Court for the

District of Columbia.[2] But litigation in the district court (commonly followed by an appeal to the Federal Circuit) can be far more expensive, complicated and time consuming than a direct appeal to the Federal Circuit, and many inventors would like to rely in the first instance on the patent expertise of the Federal Circuit derived from its day-to-day experience absorbed in the patent law and patent cases. Moreover, the possible application of different standards of review to the same decision of the PTO on the same record could result in different outcomes depending solely on which forum was selected.

There is no good reason, in law or policy, which overcomes 70 years of precedent and warrants change from the clear error standard of review. If change is appropriate with respect to review of the PTO, it can easily and should come from Congress.

ARGUMENT

I.

THE PATENT AND TRADEMARK OFFICE, SINCE BEFORE THE APA WAS ENACTED, HAS BEEN SUBJECT TO CLEAR ERROR REVIEW BY THE JUDICIARY

A. Clear Error Review Was Recognized By The Law Of The Appeals Courts Prior To The APA

Before the Administrative Procedure Act was enacted in June 1946, the Court of Customs and Patent Appeals ("CCPA") systematically applied a "clear error" or "manifest error" standard of review to factual determinations of the Patent Office.

2. As discussed *infra*, pp. 16-17 n.6, the statutory provision for de novo review is limited in that, pursuant to this Court's precedent, the district court applies "clear error" review when reviewing the record before the PTO.

Attached as an Appendix to this brief is a list of 90 cases spanning the years 1929-1946 in which the Court of Customs and Patent Appeals reaffirmed and recognized its well-established "clear error" and "manifest error" standard of review.[3]

In applying its clear/manifest error standard of review, the Court of Customs and Patent Appeals — prior to the enactment of the APA — had expressly equated review of Patent Office decisions to appellate review of a trial court:

> The board's responsibility in the case was analogous to that of a judicial trial tribunal, and, as an appellate tribunal, we are not at liberty to reverse its findings of fact unless convinced that such findings were clearly against the weight of the evidence.

Hamer v. White, 143 F.2d 987, 990 (CCPA 1944).[4]

3. *E.g.*, *Berman v. Rondelle*, 75 F.2d 845, 847 (CCPA 1935) ("under the well known rule this court will not reverse the decision of the Board under such circumstances, unless it is clearly erroneous"); *In re Engelhardt*, 40 F.2d 760, 764 (CCPA 1930) ("We think that, considering all the facts in the case disclosed by the record, it is clear that the Board of Appeals should have held that" the prior art did not disclose elements of the applicant's invention); *Pengilly v. Copeland*, 40 F.2d 995, 996 (CCPA 1930) ("It is the settled rule that this court will not reverse concurring findings of the Patent Office tribunals, except where the court can say the decisions are manifestly wrong. . . . This follows a long line of decisions of the Court of Appeals of the District of Columbia."); *In re Batcher*, 59 F.2d 461, 463 (CCPA 1932) ("when an appeal is taken to this court, the judges of which are not supposed to be, and do not profess to be, experts in the realm of mechanics, the burden rests upon the party appealing to make it clear that the findings of fact by such tribunals are manifestly wrong").

4. This is contrary to the assertion of the amicus curiae Intellectual Property Professors that the "lower courts were not equating review of Patent Office decisions to appellate review of a trial court" (Brief for Amicus Curiae Intellectual Property Professors in Support of Petitioner, p. 15).

The "clear error" and "manifest error" standards meant the same thing and were used interchangeably by the CCPA. For example, in *In re Bertsch*, 107 F.2d 828, 831 (CCPA 1939), the CCPA stated that Patent Office findings would not be disturbed unless they were "manifestly wrong," and cited *In re Hornsey*, 48 F.2d 911, 912 (CCPA 1931), which in turn held that findings by the Patent Office would be reversed only when it was "clear that they are erroneous." Conversely, in *Joseph & Feiss Co. v. Joseph Kanner Hat Co.*, 337 F.2d 1014, 1015 (CCPA 1964), the CCPA stated the PTO's findings would not be disturbed unless they were "clearly erroneous," and cited *Ranney v. Bridges*, 188 F.2d 588, 596 (CCPA 1951), which in turn held that factual findings by the Patent Office would be reversed only when they were "manifestly wrong." The Federal Circuit too has used the manifest and clear error standards interchangeably. *See Stock Pot Restaurant, Inc. v. Stockpot, Inc.*, 737 F.2d 1576, 1578 (Fed. Cir. 1984) (stating that the PTO's findings in a trademark case were reviewable to determine whether they are " 'clearly' or 'manifestly' wrong or erroneous").

The fact that "manifest error" and "clear error" have been used interchangeably reflects the fact that the phrases are synonymous. *See* Black's Law Dictionary 962 (6th ed. 1990) ("manifest" is "synonymous with open, *clear*, visible, unmistakable, indubitable, evident, and self-evident"); *see also* Concise Oxford Dictionary of Current English 829 (9th ed. 1995) (defining "manifest" as "clear or obvious to the eye or mind"); and A New Dictionary On Historical Principles 122 (1908) (defining "manifest" as "clearly revealed to the eye, mind, or judgment").

Only a handful of cases decided before enactment of the APA have been found in which the CCPA diverged from the clear/manifest error standard. Specifically, in *Townsend v. Smith*, 36 F.2d 292, 294 (CCPA 1929), and *Kreidel v. Parker*, 97 F.2d 171, 179 (CCPA 1938), the CCPA apparently exercised de novo review over the Patent Office's fact-finding. In *Clancy v. De Jahn*, 36 F.2d 131, 132 (CCPA 1929), and *Zublin v. Pickin*, 70 F.2d 732, 733 (CCPA 1934), the CCPA reviewed for "material error." And in four other cases, the CCPA reviewed the decision in a manner similar to clear error review. *Jardine v. Long*, 58 F.2d 836, 836 (CCPA 1932) (the court will affirm unless "fully convinced" that the Patent Office's findings are "not in accord with the weight of the evidence"); *In re Christmann*, 107 F.2d 607, 609 (CCPA 1939) (reversing where "it seemed proper" to do so); *Mantz v. Jackson*, 140 F.2d 161, 164 (CCPA 1944) (reviewing to determine whether appellant met a "heavy burden" of showing that the Patent Office decision was "erroneous"); *Rodli v. Phillippi*, 154 F.2d 139, 140 (CCPA 1946) (reviewing for " 'cogent evidence of mistake and miscarriage of justice' "). In these few cases, the CCPA either applied a standard of review substantively the same as the "clear error" or "manifest error" standard, or gave an even more searching review of the Patent Office's fact-finding. These few cases in no respect warrant a conclusion other than that the recognized standard of review applied by the CCPA before the APA was enacted was "manifest error" or "clear error."

Nevertheless, the amicus curiae Intellectual Property Professors argue that the clearly erroneous standard "was not applied prior to the enactment of the APA" (Brief for Amicus Curiae Intellectual Property Professors in Support of Petitioner (referred to herein as "Brf. for Amicus Professors"), pp. 11-12). But the case law itself refutes this assertion. Under current standards, clear error occurs when:

> although there is evidence to support it, the reviewing court on the entire evidence is left with the definite and firm conviction that a mistake has been committed.

SSIH Equipment S.A. v. United States Int'l Trade Comm'n, 718 F.2d 365, 381 (Fed. Cir. 1983) (Nies, J., additional views) (quoting *United States v. Gypsum Co.*, 333 U.S. 364, 395 (1948)). Review of the pre-APA case law listed in the Appendix to this brief shows that the CCPA reviewed the entire evidence of record and determined whether it had been clearly shown that the Patent Office's findings were mistaken, just as is done today.

B. Clear Error Review Was Likewise Recognized By The Law Of This Court Prior To The APA

The clearly erroneous standard of review of PTO fact-finding was also recognized in the law of this Court prior to the APA. Specifically, in *Morgan v. Daniels*, 153 U.S. 120 (1894), this Court reviewed in detail the record of the Patent Office's decision as to priority of invention to determine whether the record "produce[d] a clear conviction that the Patent Office made a mistake." *Morgan*, 153 U.S. at 129.

Citing only the beginning portion of the *Morgan* opinion, the Petitioner and the amicus Intellectual Property Professors incorrectly argue that the case actually involved some "high level of deference" standard more deferential than clear error. (*See* Brf. for Petitioner, pp. 33-34; Brf. for Amicus Professors, pp. 12-13.) But review of what this Court actually did in *Morgan* is consistent with the Court's express statement of the clear error standard of review, 153 U.S. at 129, which it was applying. Specifically, the Court critically reviewed the record testimony and documentary evidence, commenting on its weight and the credibility of witnesses. *See* 153 U.S. at 125-29. The Court found, for example, that "Lambert's testimony does not, it seems to us, carry the weight which is claimed for it," *id.* at 127, that the alleged conduct of Daniels and Lambert was not "probable" and was "strange," *id.*, that the testimony of Fowler

was "equally unreasonable," *id.*, and was "not of a character to carry great weight," *id.* at 129.

Indeed, in *Fregeau v. Mossinghoff*, 776 F.2d 1034, 1038 (Fed. Cir. 1985), the Court of Appeals correctly concluded that the language articulated in *Morgan* defined substantively the same standard of review as the "clearly erroneous" standard currently used by appellate courts.

Since *Morgan v. Daniels* involved clear error review of PTO fact-finding, the Petitioner and the amicus Intellectual Property Professors try to distance *Morgan* on the grounds that: (i) the case involved an appeal from a bill of equity in the trial court; and (ii) involved an interference. (Brf. for Petitioner, pp. 33-34; Brf. for Amicus Professors, pp. 12-14.) But these distinctions are without substantive difference. First, in *Morgan* there was no additional evidence admitted in the trial court — the case was decided and reviewed entirely on the PTO record. *See Morgan*, 153 U.S. at 122. The situation therefore was identical to an appeal directly from the PTO to a court of appeals. Second, interferences and ex parte decisions of the PTO are reviewed under the same statutory standards. *See* 35 U.S.C. § 141 (governing appeals to the Federal Circuit in both interferences and ex parte cases), § 145 (civil actions in ex parte prosecution), § 146 (civil actions in interferences). There is no legal basis for treating appellate review of PTO fact-finding in interferences differently from appellate review of PTO fact-finding in ex parte patent prosecution, as the amicus Intellectual Property Professors recognize. (*See* Brf. for Amicus Professors, p. 14 ("parity between review of interferences and review of other PTO patentability decisions is consistent with administrative law developed in other contexts . . . and is sound in this context too"); *see also* Brf. for Amicus Professors, p. 15 ("there is no reason to believe that the *Morgan* standard should be limited to review of a particular category of PTO decisions").

In sum, recognized common law has required courts to use the "clearly erroneous" standard when reviewing PTO fact-finding for more than 100 years.

C. The Petitioner Has Failed To Show That Clear Error Review Was Not Recognized By Law

The Petitioner argues (Brf. for Petitioner, pp. 24-25) that the courts were not generally applying a recognized standard of review. But, as shown by the case law cited above (*supra*, pp. 4-9) and listed in the Appendix, this argument by the Petitioner is inaccurate. Moreover, the only two citations the Petitioner relies on (Brf. for Petitioner, p. 25) do not support its argument. First, the Petitioner quotes (Brf. for Petitioner, p. 25) portions from the Federal Circuit's en banc opinion below where the court refused to find that only one standard of review had been articulated. But these quotes are taken out of the context of the opinion. The Federal Circuit specifically canvassed the pre-APA standard of review applied in the courts. *See In re Zurko*, 142 F.3d 1447, 1454-55 (Fed. Cir. 1998). Consistent with the discussion of the case law herein, *supra* pp. 4-9, the Federal Circuit concluded that the courts had applied the "close cousins" of manifestly erroneous and clearly erroneous review, and in a few cases standards *more* searching than these:

> The cases articulate various standards or methods of review, including the clear error standard, each of which requires more rigorous review than is required by the APA.

Zurko, 142 F.2d at 1454. Significantly, the court found that no case has ever applied a substantial evidence or arbitrary and capricious standard. *Id.* at 1455.

Next, the Petitioner cites (Brf. for Petitioner, p. 25) the reference book, D. Dunner et al., *Court of Appeals for the Federal Circuit: Practice & Procedure* § 6.04, at 49 to 6-52 (1995). But the *Practice & Procedure* reference does not support the Petitioner's argument. Rather that reference simply cites some eleven cases and the verbal formulations applied in those cases. But in seven of these cases, the CCPA applied the clear error or manifest error standard;[5] in another (decided after the APA) the CCPA reviewed a matter of procedure within the discretion of the PTO for "obvious error," *In re Bourdon*, 240 F.2d 358, 360 (CCPA 1957); and in the remaining three — only one of which was decided before the APA — the CCPA applied a standard similar to clear error, *In re Kaufmann*, 193 F.2d 331, 335 (CCPA 1951) (PTO findings "would be persuasive, although not conclusive"); *In re Noxon*, 210 F.2d 835, 836 (CCPA 1954) (PTO holdings entitled to "great weight"); *Rodli v. Phillippi*, 154 F.2d 139, 140 (CCPA 1946) (reviewing for "cogent evidence of mistake") by law.

Accordingly, the Petitioner's contention that the Federal Circuit "adopt[ed] whatever standard of review it deem[ed] appropriate" (Brf. for Petitioner, pp. 20, 30) is in error. The clear error standard of review was recognized by this Court in *Morgan*. The CCPA systematically used clearly erroneous or manifestly erroneous as its standard of review prior to the enactment of the Administrative Procedure Act. Pursuant to that standard, as seen in the case law, the CCPA thoroughly reviewed the prior art references and other materials of record in the Patent Office to determine whether the Patent Office's decision was shown to be clearly wrong. The Federal Circuit "adopted" the standard which had been systematically applied and recognized by law.

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5. *Daley v. Wiltshire*, 293 F.2d 677 (CCPA 1961); *In re Ubbelohde*, 128 F.2d 453 (CCPA 1942); *Israel v. Cresswell*, 166 F.2d 153 (CCPA 1948); *Societe Anonyme Marne et Champagne v. Myers*, 250 F.2d 374 (CCPA 1957); *In re Wietzel*, 39 F.2d 669 (CCPA 1930); *In re Bertsch*, 132 F.2d 1014 (CCPA 1942); *In re Stoll*, 161 F.2d 241 (CCPA 1947).

II.

THE PLAIN LANGUAGE OF THE APA PERMITS THE FEDERAL CIRCUIT TO CONTINUE REVIEWING PTO FACT-FINDING FOR CLEAR ERROR

Section 12 of the Administrative Procedure Act, 5 U.S.C. § 559, provides in pertinent part that "Chapter 7" of the Act, i.e., expressly including 5 U.S.C. § 706:

> do[es] not limit or repeal additional requirements imposed by statute or otherwise recognized by law.

By its plain terms, 5 U.S.C. § 559 does not preserve just additional statutory requirements of law, but also broadly preserves preexisting requirements otherwise recognized by law thus including judge or agency made law. *See also United Transp. Union-Illinois Legislative Bd. v. ICC*, 52 F.3d 1074, 1079 (D.C. Cir. 1995) (§ 559 preserved the preexisting "inherent authority" of the Interstate Commerce Commission to issue declaratory judgment orders). Moreover, § 559 can operate to impose additional requirements relating to judicial review beyond the minimum standards set forth in 5 U.S.C. § 706. *See United States v. Menendez*, 48 F.3d 1401, 1409 (5th Cir. 1995) (preexisting statutory requirement that court review agency findings "on the record considered as a whole" preserved the additional requirement that the agency file a certified copy of the administrative record with the district court).

There is no textual basis for limiting 5 U.S.C. § 559, as requested by the Petitioner (Brf. for Petitioner, p. 22), to the "informational, rulemaking and administrative adjudication provisions at the core of the APA" set forth in 5 U.S.C. §§ 552-557. To the contrary, 5 U.S.C. § 559 broadly applies by its terms to Chapter 7 of the APA, including § 706. Nor is § 559 limited,

by its terms, to requirements "of agencies," as the Petitioner suggests (Brf. for Petitioner, p. 23). Its language is broad enough to encompass requirements of courts recognized by law.

The Petitioner's non-textual argument that 5 U.S.C. § 559 is designed to "provide some hortatory reassurance that the public rights provided by the Act were not intended to diminish other rights" (Brf. for Petitioner, p. 24) directly supports maintaining clear error review. Specifically, as the Petitioner recognizes (Brf. for Petitioner, p. 7), the patent statute is drafted so as to confer a right on members of the public to obtain a patent if they meet the requirements of law. *See Markman v. Westview Instruments, Inc.*, 52 F.3d 967, 985 n.14 (Fed. Cir. 1995) (en banc), *aff'd*, 517 U.S. 370 (1996); 35 U.S.C. § 131 ("if on such examination it appears that the applicant is entitled to a patent under the law, the Commissioner shall issue a patent therefor"); *see also* 35 U.S.C. § 102 ("A person shall be entitled to a patent unless — . . . ."); 35 U.S.C. § 103. This very case illustrates the situation where application of the APA's provisions would diminish the rights of members of the public. In this case, the additional preexisting common law requirement for the more searching clearly erroneous review of the PTO's decision resulted in a determination that the Respondent had a right to a patent. *Zurko*, 142 F.3d at 1459. On the other hand, if the APA is construed, contrary to 5 U.S.C. § 559, to limit the additional preexisting common law requirement of more searching review, then (as the Federal Circuit felt) the Respondents would have no right to a patent. *See id.* at 1449.

There should be no doubt that the "clear error" standard of review which was required by this Court in *Morgan* and by other judge-made law in the CCPA prior to enactment of the APA (*supra*, pp. 4-9) imposes an additional requirement on the reviewing court beyond the otherwise applicable standards of review subsequently set forth in the APA. The very reason

for this appeal was the PTO's desire to avoid this additional requirement. More specifically, 5 U.S.C. § 706, by its express terms, imposes *minimum* review requirements *on the courts*, stating in pertinent part that:

> The reviewing court shall — . . . (2) hold unlawful and set aside agency action, findings, and conclusions found to be — (A) arbitrary, capricious, and abuse of discretion, or otherwise not in accordance with law; . . . (E) unsupported by substantial evidence in a case . . . otherwise reviewed in the record of an agency hearing provided by statute. . . .

5 U.S.C. § 706(2). The "substantial evidence" standard of review which the PTO now advocates "restricts an appellate court to a greater degree than 'clearly erroneous' review." *SSIH Equipment*, 718 F.2d at 382. The substantial evidence standard simply asks whether the record contains "such relevant evidence as a reasonable mind might accept as adequate to support a conclusion." *Id.* (quoting *Universal Camera Corp. v. NLRB*, 340 U.S. 474, 477 (1951)). The distinction between "clear error" review and "substantial evidence" review is of course not trivial. "There is a significant difference between the standards of 'substantial evidence' and of 'clearly erroneous,' and in close cases this difference can be controlling." *Tandon Corp. v. United States Int'l Trade Comm'n*, 831 F.2d 1017, 1019 (Fed. Cir. 1987).

The arbitrary and capricious standard, advocated only by the amicus Intellectual Property Professors, is even more restrictive of the Court of Appeals. Under the arbitrary and capricious standard, a finding will be upheld as long as "the decision was based on a consideration of the relevant factors." *Citizens to Protect Overton Park v. Volpe*, 401 U.S. 402, 416

(1971). If the arbitrary and capricious standard were to be adopted, appeal to the Federal Circuit of decisions by the PTO rejecting patents or in interferences could largely be an exercise in futility.

The requirement recognized by law when the APA was enacted — i.e., that the Patent Office decisions are subject to judicial review for clear error — is an additional requirement over and above the standards set forth in 5 U.S.C. § 706, and this "clear error" standard therefore may be preserved through 5 U.S.C. § 559.

III.

THERE ARE SOUND STRUCTURAL AND POLICY REASONS TO CONTINUE CLEAR ERROR REVIEW

Since the language of the APA permits the Federal Circuit to continue applying the additional requirement recognized by the common law of reviewing PTO fact-finding for clear error, the question becomes whether this common law standard should continue. As discussed below, it should.

The administration of the patent laws has traditionally been subject to close judicial scrutiny. Moreover the PTO readily admits that its decisions are subject to close judicial scrutiny. In its supplemental brief filed in the en banc hearing at the Federal Circuit (pp. 10 n.4, 15 n.7, 16), the PTO emphasized that its fact-finding is subject to de novo judicial review in the district court pursuant to 35 U.S.C. § 145. Under that provision, an inventor can simply sue in the district court to challenge the PTO's rejection of a patent application, and the district court may adjudge that the applicant "is entitled to receive a patent for his invention . . . as the facts in the case may appear. . . ." 35 U.S.C. § 145.

The reason the PTO *relies* on the existence of de novo review in the district court is to avoid having to follow other sections of the APA. Specifically, the "formal adjudication section" of the APA, 5 U.S.C. § 554, which includes a laundry list of procedural requirements not followed by the PTO, does not apply to the PTO because that section states that it does not apply "to the extent that there is involved — (1) a matter subject to a subsequent trial of the law and the facts de novo in a court." 5 U.S.C. § 554(a)(1). If the PTO's decisions were not subject to trial "de novo," then § 554 would apply. The PTO's desire for at least some portions of the APA (§ 554) not to apply to the PTO, and its consequent recognition that the PTO's fact-finding is subject to close judicial scrutiny, thus casts serious doubt on its premise (Brf. for Petitioner, p. 18) that the APA (§ 706) must be construed to apply to the PTO because it is an agency deserving of judicial deference and fully subject to all the provisions of the APA.

Therefore, regardless of how this Court answers the question of whether the Federal Circuit is bound to apply a substantial evidence standard in appeals directly to that court, in § 145 actions the district court would review PTO decisions pursuant to a limited de novo standard of review. If the Federal Circuit must apply a substantial evidence standard of review for its own review of PTO fact-finding, it would be possible for the same decision of the PTO, on the same record, to be reviewed under different standards depending on whether an appeal was taken to the Federal Circuit under 35 U.S.C. § 141 (substantial evidence review) or a suit was brought in the district court under 35 U.S.C. § 145 (de novo trial with clear error review of PTO record).[6]

6. The scope of the § 145 de novo trial has been judicially limited. Specifically, the Court of Appeals for the Federal Circuit — following *Morgan v. Daniels* — has held that the district court is to review the (Cont'd)

Moreover, the district court would be reviewing the PTO record more thoroughly than the Federal Circuit. The effect would be a channelling of appeals away from the Federal Circuit to the district court. This result would be an anathema to the Federal Circuit's core functions of reviewing PTO decisions and providing uniform standards for patent law.

In *Morgan v. Daniels*, this Court specifically considered the nature and qualifications of the PTO, yet chose to review its fact-finding under the clear error standard of review. Now, over 100 years later, the Petitioner still does not and has never complained that this practice has caused problems in the administration of the patent laws.

In light of: (i) the judiciary's longstanding role in making substantive determinations as to whether patents should issue; (ii) the expertise of the Federal Circuit in the area of patent law; (iii) the historic practice of this Court and the Court of Appeals for the Federal Circuit and its predecessor courts to review PTO fact-finding under the clear error standard; (iv) *stare decisis* principles which counsel that the practice be maintained; and (v) the language of 5 U.S.C. § 559 which permits the Federal Circuit to continue that practice, the Federal Circuit should not now be required to drop its standard of judicial review of PTO fact-finding to less than "clear error."

(Cont'd)
record before the PTO under the "clearly erroneous" standard of review, and is to make de novo findings on any new evidence presented to the district court on a disputed fact question. *See Fregeau v. Mossinghoff*, 776 F.2d 1034 (Fed. Cir. 1985). There is no basis, statutorily, historically or otherwise, for further limiting the district court's de novo trial of PTO decisions under 35 U.S.C. § 145. Nor does the PTO even seek to avoid de novo review in the district court, since that would result in application of other sections of the APA including 5 U.S.C. § 554.

If, from a policy standpoint, less thorough judicial review of PTO fact-finding is appropriate, that change may readily and more appropriately come from Congress. *Compare SSIH Equipment*, 718 F.2d at 371 (In 1980, Congress specifically amended 19 U.S.C. § 1337 to make applicable the APA's "substantial evidence" standard).

CONCLUSION

The decision of the court of appeals should be affirmed.

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APPENDIX

PRE-APA DECISIONS OF THE CCPA APPLYING A "CLEAR ERROR" STANDARD OF REVIEW

In re Moulton, 38 F.2d 359, 360 (CCPA 1930)

In re Ford, 38 F.2d 525, 526 (CCPA 1930)

In re Walter, 39 F.2d 724, 724 (CCPA 1930)

In re Engelhardt, 40 F.2d 760, 764 (CCPA 1930)

Dorer v. Moody, 48 F.2d 388, 389 (CCPA 1931)

In re Hornsey, 48 F.2d 911, 912 (CCPA 1931)

Rowe v. Holtz, 55 F.2d 468, 471 (CCPA 1932)

In re Pierce, 65 F.2d 271, 274 (CCPA 1933)

Berman v. Rondelle, 75 F.2d 845, 847 (CCPA 1935)

Daley v. Trube, 88 F.2d 308, 312 (CCPA 1937)

Lasker v. Kurowski, 90 F.2d 132, 134 (CCPA 1937)

Krebs v. Melicharek, 97 F.2d 477, 479 (CCPA 1938)

In re Schmidt, 100 F.2d 673, 676 (CCPA 1938)

Parker v. Ballentine, 101 F.2d 220, 223 (CCPA 1939)

Reed v. Edwards, 101 F.2d 550, 552 (CCPA 1939)

Tears v. Robinson, 104 F.2d 813, 814 (CCPA 1939)

In re Kaplan, 110 F.2d 670, 672 (CCPA 1940)

In re Carlton, 111 F.2d 190, 192 (CCPA 1940)

Paulsen v. McDowell, 142 F.2d 267, 270 (CCPA 1944)

Hamer v. White, 143 F.2d 987, 990 (CCPA 1944)

Pinkerton v. Stahly, 144 F.2d 881, 885 (CCPA 1944)

In re Ruzicka, 150 F.2d 550, 553 (CCPA 1945)

Kenyon v. Platt, 152 F.2d 1006, 1009 (CCPA 1946)

PRE-APA DECISIONS OF THE CCPA APPLYING A "MANIFEST ERROR" STANDARD OF REVIEW

Beidler v. Caps, 36 F.2d 122, 123 (CCPA 1929)

Stern v. Schroeder, 36 F.2d 515, 517 (CCPA 1929)

Stern v. Schroeder, 36 F.2d 518, 522 (CCPA 1929)

Janette v. Folds, 38 F.2d 361, 362 (CCPA 1930)

In re Demarest, 38 F.2d 895, 896 (CCPA 1930)

In re Banner, 39 F.2d 690, 692 (CCPA 1930)

In re Wietzel, 39 F.2d 669, 670 (CCPA 1930)

Pengilly v. Copeland, 40 F.2d 995, 996 (CCPA 1930)

In re Kochendorfer, 44 F.2d 418, 419 (CCPA 1930)

Thompson v. Pettis, 44 F.2d 420, 421 (CCPA 1930)

In re Dickerman, 44 F.2d 876, 877 (CCPA 1930)

In re McDonald, 47 F.2d 802, 804 (CCPA 1931)

In re Hermans, 48 F.2d 386, 387 (CCPA 1931)

In re Anhaltzer, 48 F.2d 657, 658 (CCPA 1931)

Bennett v. Fitzgerald, 48 F.2d 917, 918 (CCPA 1931)

In re Doherty, 48 F.2d 952, 953 (CCPA 1931)

Montgomery Ward & Co. v. Sears, Roebuck & Co., 49 F.2d 842, 843 (CCPA 1931) (trademark interference)

In re Murray, 53 F.2d 540, 541 (CCPA 1931)

In re Breer, 55 F.2d 485, 486 (CCPA 1932)

In re Fessenden, 56 F.2d 669, 670 (CCPA 1932)

Henry v. Harris, 56 F.2d 864, 866 (CCPA 1932)

Fageol v. Midboe, 56 F.2d 867, 870 (CCPA 1932)

Gamble v. Church, 57 F.2d 761, 762 (CCPA 1932)

Robbins v. Steinbart, 57 F.2d 378, 379 (CCPA 1932)

Martin v. Friendly, 58 F.2d 421, 422 (CCPA 1932)

In re Batcher, 59 F.2d 461, 463 (CCPA 1932)

In re Dubilier, 62 F.2d 374, 377 (CCPA 1933)

Thompson v. Fawick, 64 F.2d 125, 127 (CCPA 1933)

Evans v. Clocker, 64 F.2d 137, 139 (CCPA 1933)

In re Alden, 65 F.2d 136, 137 (CCPA 1933)

Farmer v. Pritchard, 65 F.2d 165, 168 (CCPA 1933)

In re Bloch, 65 F.2d 268, 269 (CCPA 1933)

In re Snyder, 67 F.2d 493, 495 (CCPA 1933)

Angell v. Morin, 69 F.2d 646, 649 (CCPA 1934)

Osgood v. Ridderstrom, 71 F.2d 191, 195 (CCPA 1934)

Urschel v. Crawford, 73 F.2d 510, 511 (CCPA 1934)

Marine v. Wright, 74 F.2d 996, 998 (CCPA 1935)

Tomlin v. Dunlap, 88 F.2d 727, 731 (CCPA 1937)

Coast v. Dubbs, 88 F.2d 734, 739 (CCPA 1937)

In re Taylor, 92 F.2d 705, 706 (CCPA 1937)

In re Adamson, 92 F.2d 717, 720 (CCPA 1937)

Bryson v. Clarke, 92 F.2d 720, 722 (CCPA 1937)

Adams v. Stuller, 94 F.2d 403, 406 (CCPA 1938)

Brand v. Thomas, 96 F.2d 301, 302 (CCPA 1938)

Ellis v. Maddox, 96 F.2d 308, 314 (CCPA 1938)

Creed v. Potts, 96 F.2d 317, 321 (CCPA 1938)

In re Cassidy, 97 F.2d 93, 95 (CCPA 1938)

Kauffman v. Etten, 97 F.2d 134, 139 (CCPA 1938)

Kindelmann v. Morsbach, 97 F.2d 796, 800 (CCPA 1938)
King v. Young, 100 F.2d 663, 670 (CCPA 1938)

Hill v. Casler, 102 F.2d 219, 222 (CCPA 1939)

Meur v. Schellenger, 104 F.2d 949, 952 (CCPA 1939)

In re Bertsch, 107 F.2d 828, 831 (CCPA 1939)

McBride v. Teeple, 109 F.2d 789, 797 (CCPA 1940)

In re Wuertz, 110 F.2d 854, 857 (CCPA 1940)

Prahl v. Redman, 117 F.2d 1018, 1021 (CCPA 1941)

Vickery v. Barnhart, 118 F.2d 578, 581 (CCPA 1941)

Farnsworth v. Brown, 124 F.2d 208, 214 (CCPA 1941)

In re Ubbelohde, 128 F.2d 453, 456 (CCPA 1942)

In re Bertsch, 132 F.2d 1014, 1016 (CCPA 1942)

In re Cohen, 133 F.2d 924, 926 (CCPA 1943)

In re Stacy, 135 F.2d 232, 233 (CCPA 1943)

Shumaker v. Paulson, 136 F.2d 686, 688 (CCPA 1943)

Paulson v. Hyland, 136 F.2d 695, 697 (CCPA 1943)

Dreyer v. Haffcke, 137 F.2d 116, 117 (CCPA 1943)

In re Allbright, 152 F.2d 984, 986 (CCPA 1946)

Beall v. Ormsby, 154 F.2d 663, 668 (CCPA 1946)